

State of Alaska FY2010 Governor's Operating Budget

**Department of Commerce, Community, and Economic
Development**

Department of Commerce, Community, and Economic Development

Mission

To promote a healthy economy, strong communities, and protect consumers in Alaska.

Core Services

- Coordination, development and promotion of programs for sustainable economic growth.
- Regulation and enforcement to protect the consumer and to provide a stable business climate.
- Assist in the development of safe, reliable and efficient energy systems throughout Alaska, which are sustainable and environmentally sound, and reduce the cost of energy in rural Alaska.
- Assist communities to achieve maximum local self-government.

End Result	Strategies to Achieve End Result
<p>A: Sustainable economic growth.</p> <p><u>Target #1:</u> One or more successful tourism development projects or new businesses developed in 4-6 rural Alaska community clusters each year.</p> <p><u>Status #1:</u> Met objective of assisting development of 4-6 new tourism projects or businesses. The FY08 Tourism Mentorship Assistance program was instrumental in the startup of at least four new businesses.</p> <p><u>Target #2:</u> 2% increase per year in domestic and international visitors between May 1 and September 30 annually.</p> <p><u>Status #2:</u> 30% growth in tourism visitors over five years, with a 5% increase 2006-2007</p> <p><u>Target #3:</u> Increase by 0.5% the ex-vessel value of key commercial species in Alaska's commercial harvest.</p> <p><u>Status #3:</u> Value (ex-vessel) of key commercial species in Alaska's commercial harvest continued upward value trend, increasing 12.5% from 2006-2007, and reaching \$1.6 billion in 2007, providing increased revenue to state and local governments and the private sector.</p> <p><u>Target #4:</u> 19,000 jobs created and maintained in four years.</p> <p><u>Status #4:</u> Met the target of creating and maintaining 19,000 jobs in four years with 20,300 new jobs in the four years of 2004-2007 and a 6.8% growth rate over those four years.</p>	<p>A1: Implement economic development programs and projects.</p> <p><u>Target #1:</u> Sustain U.S. consumer activities at FY08 level to generate positive Alaska seafood household and individual impressions, and maintain brand awareness.</p> <p><u>Status #1:</u> FY08 U.S. household impressions generated with cable TV totaled 225 million, consumer magazine ad circulation totaled 7.4 million, and trade ad circulation totaled 1,176,400.</p> <p><u>Target #2:</u> Provide technical assistance in mentorship in 4-6 rural community clusters each year through Developing Alaska Rural Tourism program.</p> <p><u>Status #2:</u> Met objective of providing assistance to 4-6 rural community clusters through the Developing Alaska Rural Tourism program.</p> <p><u>Target #3:</u> 500,000 brochures distributed to potential Alaska visitors.</p> <p><u>Status #3:</u> Exceeded target of distributing 500,000 brochures to potential Alaska visitors by distributing 534,816 brochures in FY 2008</p> <p><u>Target #4:</u> Increase number of students who complete AlaskaHost customer service training by 10% each year.</p> <p><u>Status #4:</u> Did not meet goal of increasing number of students receiving AlaskaHost training. Number of students trained between FY07 and FY08 decreased by 40.6%.</p>
End Result	Strategies to Achieve End Result
<p>B: Increase number of Alaska citizens who have access to local government services.</p>	<p>B1: Improve quality of department's available resources to the public</p>

<p>Target #1: 7% per year increase in number of communities using DCRA's management advice and assistance to avoid interruptions in essential community services.</p> <p>Status #1: Exceeded target of 7% per year increase in number of communities using Community and Regional Affairs management advice with 7.89% increase this fiscal year and a five year average of 17.69% per year.</p> <p>Target #2: 100% of municipal governments provide essential public services.</p> <p>Status #2: Did not meet target of 100% of municipal governments providing essential public services. An average of 83% of municipal governments provided essential public services in FY 2006, 2007, and 2008.</p>	<p>Target #1: 5% increase per year in the number of communities participating in workshops provided by Division of Community and Regional Affairs staff.</p> <p>Status #1: Exceeded target of 5% per year increase in number of communities participating in workshops provided by the Division with 88.1% increase this fiscal year and a five-year average increase of 41.88% per year.</p> <p>Target #2: 5% increase per year in successful interventions in communities due to monitoring of key indicators.</p> <p>Status #2: Exceeded target of 5% per year increase in number of successful interventions in communities with a 14.29% increase this fiscal year and a three-year average of 12.41% increase per year.</p>
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Major Activities to Advance Strategies

- Strengthen rural communities by providing technical assistance.
- Diversify Alaska's economic base to benefit all Alaskans.
- Market Alaska's commercial opportunities and geographic advantages to the rest of the nation and the global business community.
- Strengthen Alaska's businesses by providing technical and financial assistance.
- Maintain a fair and consistent regulatory environment.

FY2010 Resources Allocated to Achieve Results

FY2010 Department Budget: \$187,618,100

Personnel:

Full time	525
Part time	2
Total	527

Performance

A: Result - Sustainable economic growth.

Target #1: One or more successful tourism development projects or new businesses developed in 4-6 rural Alaska community clusters each year.

Status #1: Met objective of assisting development of 4-6 new tourism projects or businesses. The FY08 Tourism Mentorship Assistance program was instrumental in the startup of at least four new businesses.

New Tourism Projects in Rural Alaska

Fiscal Year	YTD Total
FY 2008	4 +33.33%
FY 2007	3 -57.14%
FY 2006	7 0%
FY 2005	0

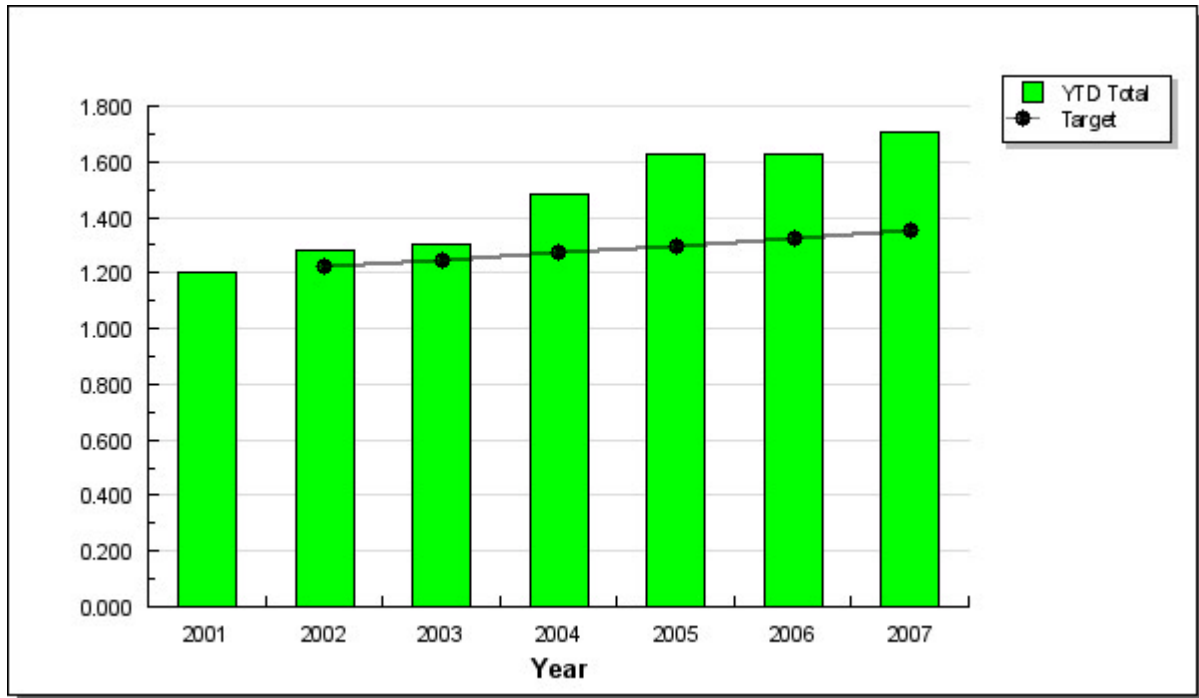
Methodology: Count of new projects in rural Alaska.

Analysis of results and challenges: The Developing Alaska Rural Tourism (DART) program was started in FY2006 with a grant from the U.S. Economic Development Administration (EDA) and funding (personnel) from the Alaska Department of Commerce Community & Economic Development. EDA funding was in place during FY06 and 07, and will be in place for FY09 and 10. In FY08, a USDA grant funded the Tourism Mentorship Assistance Program.

The FY08 Tourism Mentorship Assistance program was instrumental in the startup of at least four new businesses in four rural communities.

Target #2: 2% increase per year in domestic and international visitors between May 1 and September 30 annually.

Status #2: 30% growth in tourism visitors over five years, with a 5% increase 2006-2007



Methodology: The Alaska Visitor Statistics Program measures visitation between May to September of each of year. The last baseline study was conducted in 2006. Data in between baseline years is determined by applying ratios developed in the baseline year to actual arrival data from airports, U.S. customs, Alaska Marine Highway System, etc.

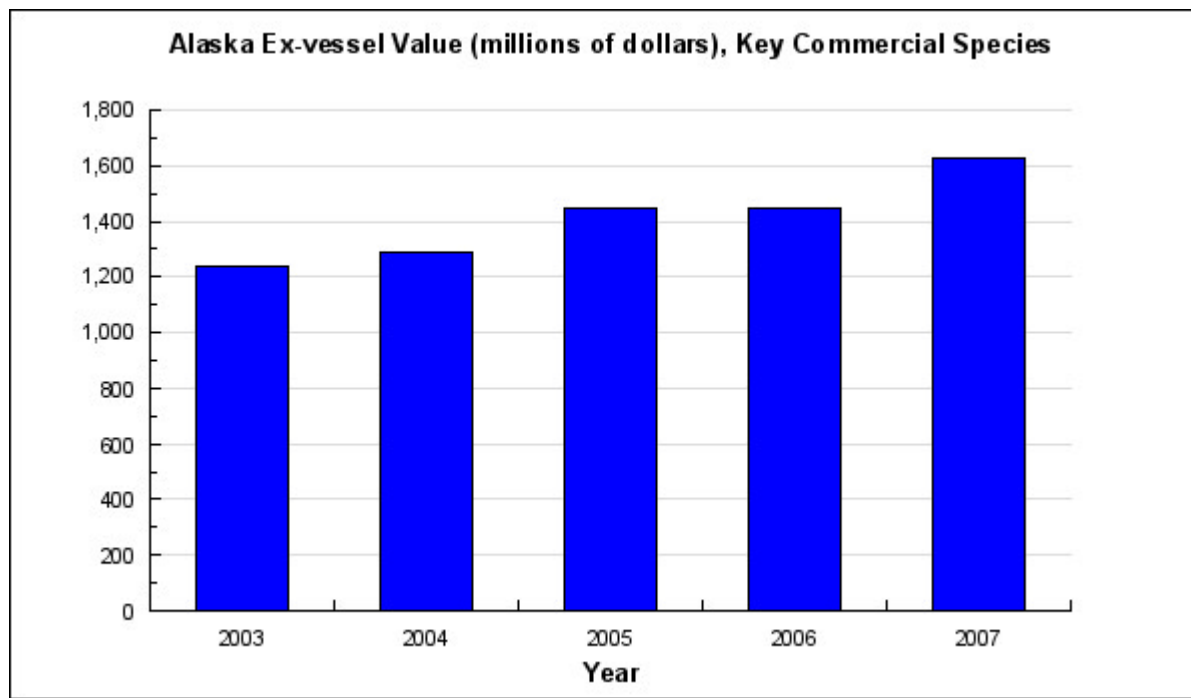
The 2001 study established that 91% of Alaska's visitors come during the Summer (May 1 through September 30). This table shows summer visitors from summers 2001 to 2006.

Year	YTD Total	Target
2007	1.71 +4.91%	1.351 +1.96%
2006	1.63 0%	1.325 +2%
2005	1.63 +10.14%	1.299 +2.04%
2004	1.48 +13.85%	1.273 +2%
2003	1.3 +1.56%	1.248 +1.96%
2002	1.28 +6.67%	1.224
2001	1.2	

Analysis of results and challenges: The 2007 Alaska Visitor Statistics Program (AVSP) estimates that 1.7 million out-of-state visitors came to Alaska between May and September, 2007 (5% increase in visitor volume from summer 2006). Of these, 1,029,800 were cruise ship passengers; 602,100 entered and exited the state by air; and 82,200 entered or exited the state by highway or ferry.

Target #3: Increase by 0.5% the ex-vessel value of key commercial species in Alaska's commercial harvest.

Status #3: Value (ex-vessel) of key commercial species in Alaska's commercial harvest continued upward value trend, increasing 12.5% from 2006-2007, and reaching \$1.6 billion in 2007, providing increased revenue to state and local governments and the private sector.



Methodology: ADF&G, NMFS, SMIS estimates of combined value of salmon, pollock, P-cod, sablefish & halibut, shellfish, other groundfish.

Alaska Ex-vessel Value (millions of dollars), Key Commercial Species

Year	Millions of Dollars
2007	1,627 +12.52%
2006	1,446 +0.07%
2005	1,445 +12.28%
2004	1,287 +3.87%
2003	1,239

Analysis of results and challenges: ASMI focuses on raising economic value rather than increasing sales volume because Alaska's fisheries are limited in their ability to increase production levels beyond what nature will allow (no finfish farming is allowed in Alaska). Because Alaska only produces about 2% of the world's seafood it cannot compete on commodity pricing, especially with a fishery that relies on labor intensive efforts to catch fish, which is a conscious decision on the part of Alaskans to provide a solid job base. Raising the economic value means increasing the price in the marketplace which, if successful, translates into higher dock prices (ex-vessel) paid to fishermen, and additional jobs in fishing, processing, and related support industries in the state.

Ex-vessel value of key commercial species in Alaska's commercial harvest is increasing due in part to significant state and federal investment in marketing and infrastructure. Value (ex-vessel) of key commercial Alaska seafood species increased 12.5% between 2006 and 2007, exceeding the target of 0.5%. The ex-vessel value increased to \$1.6 billion in 2007--up from \$1.4 billion in 2006.

The harvest was 2.49 million metric tons, however despite the 2% decline in volume, value still increased. The first wholesale value of Alaska's seafood harvest reached \$3.6 billion, of which Alaska harvesters got 38%. This reflects

continuation of an upward trend of value in which increases in value outpace volume increases. Continuing support for the marketing effort is essential to continue the upward value trend..

Challenges include:

- Price resistance --- Following periods of increase in value for particular species, Alaska producers are encountering price resistance in certain markets
- Seasonality, consistency of supply
- Inelastic supply
- International currency fluctuations, tariffs and trade barriers affecting international trade
- Low prices on competing proteins (chicken, beef, pork, dairy) with generally well-funded campaigns promoting other proteins

The decrease in federal funds available to support infrastructure and marketing challenge ASMI's ability to increase overall harvest value. If those funds are not replaced, ASMI's ability to continue its marketing activities will be reduced, especially in the domestic market where nearly 50% of Alaska seafood is sold. The result could be a reversal of the increased overall price trends, which for salmon alone have nearly doubled, from \$212 million in 2003 to \$417 million in 2007.

Target #4: 19,000 jobs created and maintained in four years.

Status #4: Met the target of creating and maintaining 19,000 jobs in four years with 20,300 new jobs in the four years of 2004-2007 and a 6.8% growth rate over those four years.

Number of Jobs Created and Maintained

Year	YTD Total
2007	3049 -52.23%
2006	6382 +0.16%
2005	6372 +41.32%
2004	4509 -1.76%
2003	4590

Methodology: This data is reported from the State of Alaska Department of Labor.

Analysis of results and challenges: Continued investment in different programs and providing loans to businesses and for construction helped to stimulate the economy and create jobs.

A1: Strategy - Implement economic development programs and projects.

Target #1: Sustain U.S. consumer activities at FY08 level to generate positive Alaska seafood household and individual impressions, and maintain brand awareness.

Status #1: FY08 U.S. household impressions generated with cable TV totaled 225 million, consumer magazine ad circulation totaled 7.4 million, and trade ad circulation totaled 1,176,400.

Analysis of results and challenges: The major challenge facing Alaska's seafood promotion effort is sustaining the level of promotional activity in the U.S. and overseas despite sharp reductions in federal dollars. ASMI is a public-private partnership with core funding from the industry and support from state and federal grants. To maintain the marketing program raising the brand value in the United States, lost federal funds need to be replaced with state general fund dollars. Funding from industry consists of a voluntary seafood marketing assessment, voted in by the seafood processors and remitted to the Alaska Department of Revenue. Funding from federal sources include federal grants and federal Market Access Program (MAP) funds. In recent years, ASMI received substantial allocations of federal dollars through the Alaska Fisheries Marketing Board (AFMB) and the Alaska Governor's Office which were used to promote Alaska Seafood. The expenditure of dollars from these temporary sources was purposely spread over several years, to extend the positive impact. ASMI was forced to curtail its overall promotional effort in FY 09.

Target #2: Provide technical assistance in mentorship in 4-6 rural community clusters each year through Developing Alaska Rural Tourism program.

Status #2: Met objective of providing assistance to 4-6 rural community clusters through the Developing Alaska Rural Tourism program.

Number of Community Clusters Receiving Technical Assistance

Fiscal Year	YTD Total
FY 2008	4 0%
FY 2007	4 -42.86%
FY 2006	7 +75%
FY 2005	4 0%
FY 2004	0

Analysis of results and challenges: In FY08, tourism staff continued to assist with tourism development projects in four primary regions and with projects and business mentorships in several other individual communities. Assistance was provided to the following major community groups to develop marketing strategies, marketing partnerships, or package tourism products and attractions:

- (1) Central Southeast Alaska
- (2) Yukon-Kuskokwim Delta Communities
- (3) Copper Valley Communities
- (4) Bering Strait Region

Additional projects and mentorships occurred in the following communities: Galena, Tok, Kake, Klukwan, Port Graham, Skagway, Barrow.

Target #3: 500,000 brochures distributed to potential Alaska visitors.

Status #3: Exceeded target of distributing 500,000 brochures to potential Alaska visitors by distributing 534,816 brochures in FY 2008



Number of Alaska Marketing Brochures Distributed

Fiscal Year	YTD Total
FY 2008	534,816 -4.99%
FY 2007	562,904 -4.44%
FY 2006	589,082 +18.95%
FY 2005	495,227 -4.52%
FY 2004	518,693 -3.24%
FY 2003	536,043

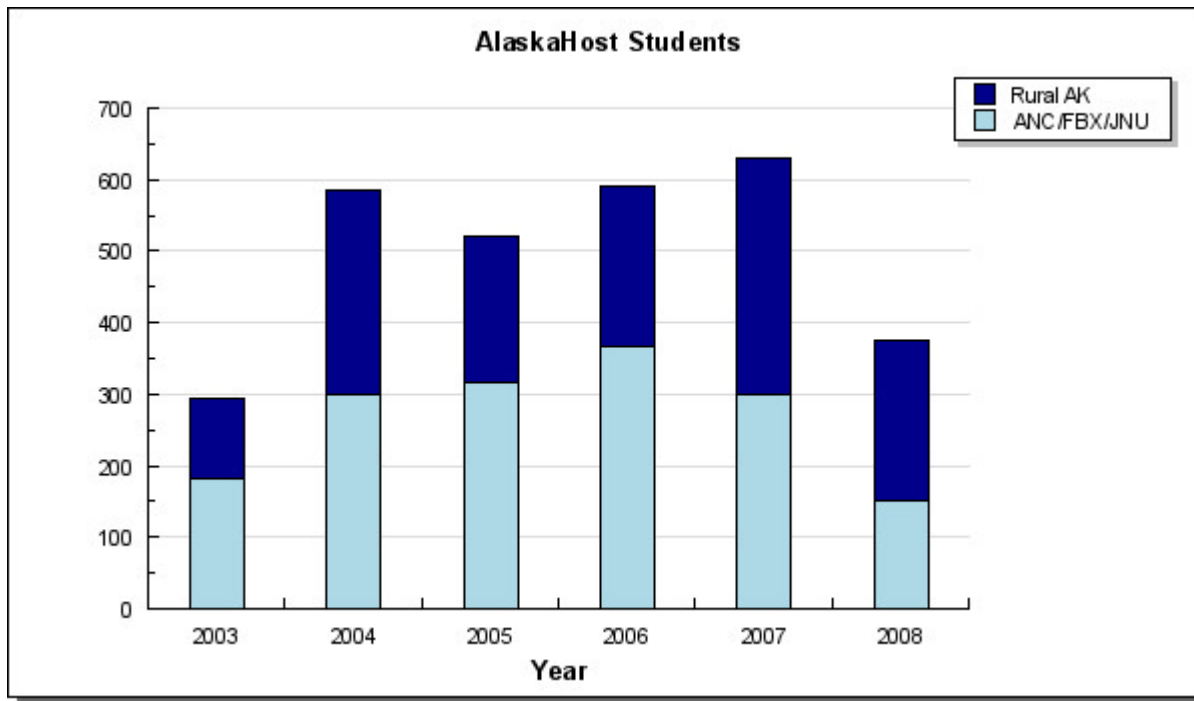
Analysis of results and challenges: The role of the Alaska Travel Industry Association (ATIA) consumer marketing programs is to find potential visitors throughout North America and provide them with compelling information about Alaska in an effort to convert their interest in Alaska to actual travel to the state. Aggressive direct response programs in FY08 allowed ATIA to reach millions of potential visitors and resulted in 534,816 qualified requests for Alaska travel information. Although the goal for the year was exceeded, the total number of brochures distributed to consumers responding to the marketing campaigns decreased slightly over the prior year.

Each year, ATIA establishes a goal in regards to the number of marketing brochures distributed to potential visitors.

ATIA will continue to measure the number of brochures being sent each week, along with the total for the year, and share this information with the state and ATIA's member businesses. This is important data because it substantiates how effectively ATIA marketing programs deliver Alaska's message.

Target #4: Increase number of students who complete AlaskaHost customer service training by 10% each year.

Status #4: Did not meet goal of increasing number of students receiving AlaskaHost training. Number of students trained between FY07 and FY08 decreased by 40.6%.



AlaskaHost Students

Year	ANC/FBX/JNU	Rural AK	YTD Total
2008	151 -49.67%	223 -32.42%	374 -40.63%
2007	300 -18.26%	330 +46.67%	630 +6.42%
2006	367 +16.14%	225 +10.29%	592 +13.85%
2005	316 +4.98%	204 -27.92%	520 -10.96%
2004	301 +65.38%	283 +154.95%	584 +99.32%
2003	182	111	293

Analysis of results and challenges: The total number of students who completed AlaskaHost training decreased overall by 41% from 630 in 2007 to 374 in 2008. The decrease includes a 50% decrease in the number of students who completed AlaskaHost training in communities in Anchorage, Fairbanks and Juneau and a 32% decrease in students outside these communities (from 330 in 2007 to 223 in 2008).

The decrease is primarily due to limited funding available to conduct AlaskaHost training and less exposure for the program. These reductions were a result of the Economic Development Administration, U.S. Department of Commerce ending its support for rural tourism development in June 2007. New funding for rural tourism development became available again in August 2008 and it is expected to increase student participation in FY09.

B: Result - Increase number of Alaska citizens who have access to local government services.

Target #1: 7% per year increase in number of communities using DCRA's management advice and assistance to avoid interruptions in essential community services.

Status #1: Exceeded target of 7% per year increase in number of communities using Community and Regional Affairs management advice with 7.89% increase this fiscal year and a five year average of 17.69% per year.

Community On-Site Assistance

Year	# of Communities	On-site Visits
2008	41 +7.89%	63 +5%
2007	38 +5.56%	60 +3.45%
2006	36 -10%	58 +9.43%
2005	40 +25%	53 +6%
2004	32 +60%	50 +78.57%
2003	20	28

Analysis of results and challenges: Sustainability of communities is a significant issue due to increasing costs for major budget items such as insurance. The Division expects increases in technical assistance requests to continue. The primary challenge to the Division will be to meet the increasing need with a static level of resources. In 2006/2007 fuel price increases caused several communities to have significant problems. Assistance in resolving this particular issue required that more trips be made to fewer communities. The Division will meet this target through creation of alternative delivery systems and prioritization of need.

Target #2: 100% of municipal governments provide essential public services.

Status #2: Did not meet target of 100% of municipal governments providing essential public services. An average of 83% of municipal governments provided essential public services in FY 2006, 2007, and 2008.

Percentage of essential public service

Fiscal Year	YTD Total
FY 2008	83%
FY 2007	82%
FY 2006	83%
FY 2005	80%
FY 2004	85%

Methodology: this highlights data from the Division of Community and Regional Affairs

Analysis of results and challenges: The decrease in the percentage of communities providing essential services in 2005 was due to the reduction in police protection force and the increase of fuel cost in various rural cities. The Department is implementing a more detailed tracking system to collect information that is self reported by communities. In 2006, the Department has worked with rural cities to increase the services provided, such as election, budget, and other essential services.

In FY2007, the reduction was due in part to the increase in fuel and energy costs in various cities.

B1: Strategy - Improve quality of department's available resources to the public

Target #1: 5% increase per year in the number of communities participating in workshops provided by Division of Community and Regional Affairs staff.

Status #1: Exceeded target of 5% per year increase in number of communities participating in workshops provided by the Division with 88.1% increase this fiscal year and a five-year average increase of 41.88% per year.

Number of communities participating in workshops

Year	Communities
2008	79 +88.1%
2007	42 +16.67%
2006	36 +12.5%
2005	32 +45.45%
2004	22 +46.67%
2003	15

Analysis of results and challenges: The technical training provided by the Division has assisted communities in developing skills to run local government services more efficiently. Turnover of community staff is a challenge to this strategy that will result in continuous need for training. The large yearly increases were due to additional funding made available through federally funded programs, and startup of training classes.

Target #2: 5% increase per year in successful interventions in communities due to monitoring of key indicators.

Status #2: Exceeded target of 5% per year increase in number of successful interventions in communities with a 14.29% increase this fiscal year and a three-year average of 12.41% increase per year.

Successful Interventions

Year	# of Interventions
2008	24 +14.29%
2007	21 +10.53%
2006	19

Analysis of results and challenges: This increase has been accomplished by additional monitoring of tax reporting, fuel ordering, PCE reporting, and liens filed. This allows the Division to proactively contact communities prior to a financial crisis which may cause interruptions to electrical, sanitation, police or governmental services.

Key Department Challenges

The Department continues to realign and focus assets to concentrate on the three core functions:

- community development,
- business regulation/consumer protection, and
- economic development

Community Development: Sustainability of communities is a major issue due to the increased cost of insurance and the cost to build barriers to erosion and flooding. The formation of regional governments and building management capacity and fiscal strength in smaller communities are crucial issues.

Business Development/Consumer Protection: Providing consumer protection and business/industry regulation remains a key challenge. Due primarily to its small population and remote location, Alaska lacks a healthy, competitive insurance market. While a few major carriers have entered the Alaska market during the last few years, the marketplace remains less competitive than we would like to see. Although reforms have reduced the cost of

workers' compensation insurance in recent years, market domination by a few carriers makes it difficult for employers to obtain affordable policies for this statutorily mandated coverage.

Economic Development: Economic development in Alaska faces many challenges, including high transportation costs, access to suppliers and markets, a limited labor pool and restrictions on developing mining, timber and other natural resources.

Mining -- Attracting investments in mineral projects is a key challenge that affects our staffing and budget. Stable and reasonable taxation is critical to attracting mining companies to the State because it can alter the financial viability of projects.

Fisheries development and marketing -- The Alaska seafood industry participates in an intensely competitive worldwide market. Development of aquaculture production outside Alaska pushes market supply upward and prices downward. Competition from farmed salmon and other aquaculture products continues to be a primary concern. A major task for this industry and State government is to develop an effective response to these competitive forces.

Tourism -- The tourism industry suffers during times of slowing economic growth; a worldwide recession is expected to reduce Alaska tourism significantly. Anecdotal evidence reveals that visitors to Alaska have shown restraint in spending. Rural Alaska remains highly undeveloped in tourism and transportation infrastructure, and communities lack established mechanisms for managing and promoting tourism. There is an ongoing need for customer service training in rural areas. The industry continues to need assistance from the State and private industry to develop strategies to attract more tourists to the state.

Challenges Facing Components within the Department

Qualified Trade Association

Research shows that consumers are traveling less often and less far from home, are not using all their vacation time, and have lower personal savings than the previous generation. These national trends do not bode well for travel to Alaska. In addition, marketing costs (media placement, paper, postage) have increased substantially. New taxes and fees on the tourism industry limit the Alaska Travel Industry Association's ability to raise industry funds to match state funds for the marketing program.

Investments

Rural Alaska residents face tremendous challenges (due to lack of infrastructure, elevated costs and lack of capital) as they attempt to expand economic activity in their regions. The Alaska Division of Investment's (ADI) challenge is to work with rural residents to identify economically viable projects that can be assisted through financing under the Small Business Economic Development and Rural Development Initiative programs.

Alaska Aerospace Development Corporation (AADC)

An additional Launch Pad (LP-3) and a Rocket Missile Storage Facility (RMSF) are needed in order to serve additional customers and to increase the number of launches from the Kodiak Launch Complex per annum.

Alaska Energy Authority (AEA)

Scheduling and managing Bulk Fuel and Rural Power System Upgrade projects (requested by the Denali Commission) with an unpredictable capital funding stream is a challenge. Providing training in an environment of high staff turnover (in bulk fuel and utility clerk job classes) is also a challenge.

Alaska Industrial Development and Export Authority (AIDEA)

Based on the current economic environment, forecasts suggest a severe constriction in the secondary capital market. As a result, AIDEA expects an increase in the number of businesses seeking funding in both the development finance and loan participation programs, which will result in increased workloads for staff.

Alaska Seafood Marketing Institute (ASMI)

Loss of federal funds, messages in the media about contaminants in seafood, a meteoric rise in global fish farming output (salmon and whitefish), international currency fluctuations, tariff and trade barriers, and confusion over labeling schemes denoting sustainability and traceability all create significant challenges for effectively marketing and increasing the economic value of Alaska seafood products.

Banking & Securities

The division faces high legal fees associated with complaints from Alaskan investors due to the collapse of the Auction Rate Securities market and the need to investigate alleged or suspected violations of the statutes under its jurisdiction. Resolving these complaints in a timely manner is a priority, and will likely include referrals for administrative or legal action. In addition, the division will be working to bring Alaska statutes and regulations in line with the Uniform Securities Act (USA) of 2002, which will provide stronger enforcement statutes.

Insurance

The increasing number of administrative and legal matters (and the costs associated with addressing them) is a challenge. The division is active in the National Association of Insurance Commissioners, and is a leader in the movement to harmonize state laws and regulations, both to make it easier to do business on a multi-jurisdictional basis and to attempt to avoid federal preemption in this area.

Regulatory Commission of Alaska (RCA)

The RCA expects to be addressing challenges resulting from the turbulent energy market and the State's efforts to promote alternative energy sources. These challenges will include impacts upon the RCA regulatory responsibilities resulting from the Alaska Energy Plan, implementation of the Railbelt Energy Grid Authority Study, and the development of regulations for Net Metering and Interconnection Standards for Alaska. A significant Trans-Alaska Pipeline System tariff revision was filed in early FY 2009, and will carry into FY 2010.

Significant Changes in Results to be Delivered in FY2010

Community And Regional Affairs

The division will provide a more focused and coordinated approach to identify and offer technical assistance to communities in financial distress. An enhanced database to capture and post the status of all community financial assistance will be developed. Local Government Specialists will focus on identifying communities with significant management issues.

Office of Economic Development

The Office will increase emphasis on outreach and networking with economic development groups and business communities throughout the state. Other activities include:

- Prepare or evaluate reports that highlight significant changes in economic data, including the Alaska Economic Performance Report, Tourism Economic Impact Study, Performance Report to the Legislature on the Alaska Film Incentive Program, and Alaska Minerals Industry Report.
- Implement phase II of the Developing Alaska Rural Tourism Program with funding from the U.S. Economic Development Administration.
- Establish the Alaska Film Office.

Alaska Aerospace Development Corporation (AADC)

AADC is currently in negotiations to extend the existing support services contract or possibly enter into a new three-year contract with Missile Defense Agency (MDA) as the continued anchor tenant. The program is actively marketing the Spaceport's capabilities to the space launch community to provide launch feasibility studies and launch support services in the near future.

Alaska Seafood Marketing Institute (ASMI)

Aligning its efforts closely with the seafood industry, ASMI will establish Alaska Seafood as the brand that affirms a customer's commitment to sustainable fisheries management, and facilitate more widespread use of the Alaska Seafood logo on Alaska products. In the U.S., the Alaska Seafood brand aims to hold or exceed its ranking as the number two food brand on restaurant menus. ASMI's current success in advancing brand equity and increasing value depends on stable funding.

Corporations, Business and Professional Licensing (CBPL)

CBPL will be implementing the licensing function of the non-depository lending program. CBPL has been charged with the creation of applicable forms, establishing a web site, disseminating information about the new licensing requirements, contracting with examination vendors and hiring and training staff to meet program needs.

Regulatory Commission of Alaska

Parties to any Commission matter will be able to make all of their filings over the web. Electronic filing will reduce significantly the time, delivery, and paper costs required for filings and will speed up document availability. Web filing will become a reality after appropriate regulations are adopted and effective.

Major Department Accomplishments in 2008

Community And Regional Affairs

Approved and finalized two new boroughs: the Skagway Borough and the Wrangell Borough.

The Bulk Fuel Bridge Loan Program provided last resort funding for 23 communities which averted fuel shortages that would have resulted in loss of electrical generation, fuel for home heating or gasoline for subsistence purposes.

The Rural Utility Business Advisor program provided technical assistance to 141 communities including 233 trips to rural communities to provide technical assistance.

The State Assessor completed full value determinations for 44 municipal governments and published the information in the *Alaska Taxable*.

Office of Economic Development

The Office evaluated the increase in the gross value of the minerals industry at \$4 billion in 2007 and increases in visitor spending to an estimated \$1.6 billion. Staff responded to 231 requests for technical seafood information, designated a new region in Alaska as an Alaska Regional Development Organization and approved a new Regional Seafood Development Organization. The Office redesigned the Alaska Economic Performance Report and successfully introduced the Tourism Mentorship Assistance Program, which helps new tourism businesses deal with the challenges of owning and operating a small business. The Office also secured a federal grant to expand assistance through the Developing Alaska Rural Tourism Program.

Qualified Trade Association (QTA)

Approximately 2 million individual consumers visited the Alaska Travel Industry Association's (ATIA's) website, TravelAlaska.com. ATIA contends that traffic to TravelAlaska.com is stronger than any other Alaska visitor related site. ATIA worked with businesses, Destination Marketing Organizations and Japan ATIA office to promote use of direct non-stop service between Japan and Alaska. This successful effort will result in a 30% increase of service in the winter and summer of 2008. QTA expanded its visitor survey to obtain more detailed information on participation in specific winter activities. QTA continued participation in the Travel Industry Association's annual Pow Wow event that brings together roughly 1,500 international and domestic travel buyers so they can develop new or expanded travel packages.

Investments (ADI)

Alaska Capstone Avionics Loan Program

ADI, in conjunction with the Department of Transportation and Public Facilities, spearheaded efforts to obtain passage of a piece of legislation that created the Alaska Capstone Avionics loan program. This program provides low interest loans to aircraft owners that fly a substantial number of flight hours in Alaska so they can purchase Capstone Avionics equipment. The avionics equipment dramatically increases air travel safety, which will help the State reap hundreds of millions of dollars in safety and community access benefits. ADI developed program regulations, policies and procedures, accounting infrastructure and servicing guidelines and implemented the program on July 1, 2008.

Loan Servicing Software Replacement

ADI completed conversion to a new loan servicing software package. This new software increased efficiencies and provided better information to management, the legislature and the public. ADI is in the process of customizing the software to maximize its effectiveness.

Engine Efficiency Loan Program

ADI completed a regulations project that created a new loan program within the Commercial Fishing Revolving Loan Fund. This new program allows ADI to make low interest loans to Alaskan commercial fishermen that are upgrading their vessels by installing new fuel efficient engines. These new engines dramatically reduce operating expenses and increase the profitability of fishing operations.

Alaska Aerospace Development Corporation (AADC)

Kodiak Launch Complex (KLC) continues launching tests of the nation's missile defense system. The installation of the extensive submarine fiber optic cable network project was completed, providing secure and dependable high speed voice and internet connectivity to AADC's customers.

Alaska Industrial Development and Export Authority (AIDEA)/Alaska Energy Authority (AEA)

In fiscal year 2007, AEA funded 51 Bulk Fuel loans for \$8.1 million and committed to 15 more loans for \$2.8 million on June 30, 2007. AIDEA is now completing work to install a second ship lift and is at the start of a federally-funded project to build uplands improvements in Ketchikan. AIDEA is part of a three-member group that is funding a feasibility study related to a potential 80,000 barrel/day Fischer-Tropsch facility at Beluga that would produce clean burning transport fuels from coal.

Alaska Seafood Marketing Institute (ASMI)

ASMI continued to diversify domestic and international markets for fresh, frozen, shelf stable (canned and pouched) and value-added Alaska seafood, thereby increasing the value of harvests and strengthening the Alaska seafood industry's position in the global marketplace. Ex-vessel value of key commercial Alaska seafood species increased 12% from the previous year; first wholesale value reached \$3.6 billion. First wholesale value of Alaska salmon surpassed \$900 million, continuing an upward trend established during the last five years.

Additional accomplishments in 2008 include an Alaska Seafood Sustainability Forum (leaders of all key fisheries management agencies in Alaska presented information to 100+ key customers from U.S., Europe, and Asia), launch of cost effective web-based training for retail and foodservice employees: "Alaska Seafood U," and debut of new ads in consumer and trade publications emphasizing sustainability of Alaska seafood products. ASMI also engaged Food Network celebrity Alton Brown as the star of a sustainable Alaska Seafood video on the ASMI website, introduced Alaska chefs in China to lead trainings for retail seafood managers and chefs, and increased Alaska Seafood brand equity through U.S. and international media tours/trade missions to Alaska. The 2008 Alaska Pavilion at Europe's largest seafood trade show generated \$31 million in on-site sales and \$125 million in projected sales for the ensuing year. The value of Alaska Seafood exports to ASMI program destination countries increased 34% in just four years,

compared to 28% in non-ASMI countries.

Banking & Securities

The division approved the acquisition of a state trust company by an out-of-state purchaser; drafted and filed new trust regulations to implement the Revised Alaska Trust Company Act; and approved the merger of a national bank into a state bank. The Division also participated (with AARP) in education outreach efforts in 13 communities across Alaska.

Corporations, Business, and Professional Licensing

The division implemented the Alaska Mortgage Licensing Regulation Act, which requires the licensing and examination of mortgage companies and mortgage professionals. This is the first time the mortgage lending industry has been regulated in Alaska.

Insurance

The division collected \$60,003,742 in premium taxes, penalties, and fees in FY 2007. The division oversaw the liquidation of a multiple employer welfare arrangement with no outstanding consumer claims. The division investigated 331 consumer complaints, and took action that resulted in two criminal convictions and additional payments of \$634,228 to consumers in calendar year 2007. The division also participated as a lead state in the Healthmarkets national settlement. It obtained significant changes in company behavior, and a \$20 million national settlement.

Regulatory Commission of Alaska (RCA)

The RCA reduced its regulatory control of certain telecommunications providers by either declaring certain areas "competitive local exchange markets" or declaring a provider "nondominant". The RCA also reduced its regulatory control of commercial refuse collection providers in the Anchorage, Mat-Su, Fairbanks, Kenai, Girdwood, and Whittier markets. These actions signify a material change in the level of Commission oversight. Where oversight is reduced, competitive pressures are assumed to reduce the need for Commission regulation to benefit the public, allowing providers greater flexibility to facilitate rate reductions, offer new services and modify existing services based on market conditions and consumer demand.

The Regulatory Commission of Alaska successfully implemented the initial phases of an electronic case management system and an integrated electronic website. In 2008 the RCA began taking public comments from consumers over the web and managing these comments using the new case management system. The RCA now receives quarterly reports and payments from utilities and pipelines over the website.

Alaska State Community Services Commission

Alaska ranks 4th in volunteering in the nation with an average of 54.3 volunteer hours per capita. The Commission-funded National Service programs participate in volunteer generation activities in an effort to promote volunteerism.

Prioritization of Agency Programs

(Statutory Reference AS 37.07.050(a)(13))

The Department of Commerce placed our programs in priority order based on the following:

Programs and services that are essential to the Department's mission of promoting strong communities in Alaska through community assistance.

Programs that are essential to the Department's mission to protect the consumer and to provide for a stable business climate.

Programs and functions that are central to the Department's mission of promoting a healthy economy through economic development.

- | | |
|--|--|
| 1. Local Government Development. Ensure local governments are functioning and viable by providing advice and information regarding public services, financial management training, election information, | 9. Regulate Securities & Financial Institutions. Regulate securities, commercial banks, mutual savings banks, credit unions, trust companies, bank holding companies, small loan & premium finance |
|--|--|

- and financial assistance.
2. Rural Energy Programs. Administer rural energy programs.
3. Local Boundary Commission. Offer recommendations regarding municipal boundary changes and incorporations.
4. Community and Business Development. Provide grants, advice, information, financial management training, and financial assistance to tribal governments, communities and other organizations.
5. State Assessor and Property Tax. Assist municipalities regarding assessment and tax issues; make local property full and true value determinations; monitor local assessment practices for compliance with State law.
6. Land Management and Mapping. Ensure public projects have site control; administer the Municipal Lands Trust program; produce and provide community maps.
7. Rural Utility Business Advisor (RUBA). Encourage rural water and sewer utilities to operate as a business; offer business, finance, personnel and management assistance to local governments and organizations.
8. Regulate Professions, Businesses and Corporations. Administer 40 occupational licensing programs covering 130 occupations. License approximately 73,000 businesses. Provide legal recognition to businesses by serving as a filing agency.
- offices, and Business and Industrial Development Corporations.
10. Regulate Insurance Industry. Develop and enforce the insurance statutes and regulations to: protect and educate the consumer; assure competitive, viable, ethical and lawful insurance is available to Alaskans; and enhance the insurance business environment
11. Regulate Utilities and Pipeline Carriers. Ensure affordable and reliable utility and pipeline services.
12. Community Development Quota (CDQ) Program. Promote commercial fisheries related economic development in western Alaska through allocation of percentages of each fisheries species to coalitions of communities.
13. Financial Services & Loan Programs. Provide various means of financing and facilitate the financing of businesses, commercial fisheries, and hatcheries in Alaska.
14. Alaska Aerospace Development. Provide rocket launch services to government and commercial customers.
15. Fisheries Development and Marketing. Promote economic development of Alaska's commercial fisheries and seafood industry and market Alaska seafood products domestically and overseas.

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Department Budget Summary by RDU

All dollars shown in thousands

	FY2008 Actuals				FY2009 Management Plan				FY2010 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
Revenue Sharing	0.0	15,600.0	2,406.0	18,006.0	0.0	15,830.0	3,600.0	19,430.0	0.0	25,803.4	3,600.0	29,403.4
Alaska Energy Authority	0.0	0.0	28,560.0	28,560.0	23,000.0	0.0	28,160.0	51,160.0	0.0	0.0	32,160.0	32,160.0
Non-Formula Expenditures												
Executive Admin and Dev	1,337.4	0.0	3,667.6	5,005.0	1,332.8	0.0	3,758.0	5,090.8	1,358.6	0.0	3,996.1	5,354.7
Comm Assist & Ec Dev	1,979.2	1,862.7	5,907.9	9,749.8	2,721.7	2,533.7	7,609.8	12,865.2	4,844.1	2,533.9	5,410.9	12,788.9
Revenue Sharing	48,685.6	0.0	0.0	48,685.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Qualified Trade Assoc. Contract	4,200.0	0.0	0.0	4,200.0	9,000.0	0.0	0.0	9,000.0	9,000.0	0.0	0.0	9,000.0
Investments	0.0	0.0	4,063.0	4,063.0	0.0	0.0	4,487.5	4,487.5	0.0	0.0	4,578.3	4,578.3
Alaska Aerospace Devel Corp	0.0	18,973.9	125.8	19,099.7	0.0	26,266.6	2,258.0	28,524.6	0.0	26,245.1	2,315.9	28,561.0
QTA Independent Traveler Grants	893.2	0.0	0.0	893.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AIDEA	0.0	0.0	7,875.5	7,875.5	0.0	0.0	8,243.4	8,243.4	0.0	0.0	8,866.4	8,866.4
Alaska Energy Authority	383.9	0.0	3,787.9	4,171.8	661.8	571.9	4,000.7	5,234.4	1,059.7	571.9	4,000.7	5,632.3
Alaska Seafood Marketing Inst	500.0	4,533.8	9,436.1	14,469.9	750.0	6,000.0	11,877.9	18,627.9	2,667.5	5,500.0	9,499.9	17,667.4
Banking and Securities	0.0	0.0	1,962.3	1,962.3	0.0	250.0	2,790.4	3,040.4	0.0	250.0	3,037.4	3,287.4
CDQ Program	0.0	0.0	0.0	0.0	0.0	0.0	57.5	57.5	0.0	0.0	57.6	57.6
Insurance	0.0	0.0	6,033.4	6,033.4	0.0	0.0	6,383.3	6,383.3	0.0	0.0	6,606.2	6,606.2
Corp, Bus & Prof Licenses	0.0	0.0	9,122.6	9,122.6	0.0	400.0	10,389.7	10,789.7	0.0	400.0	10,545.3	10,945.3
Reg Comm of Ak DCED State	0.0	0.0	6,122.5	6,122.5	0.0	0.0	8,371.3	8,371.3	0.0	0.0	8,074.3	8,074.3
Facilities Rent	585.0	0.0	493.8	1,078.8	585.0	0.0	467.7	1,052.7	585.0	0.0	760.2	1,345.2
Serve Alaska	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	112.1	3,072.9	104.7	3,289.7
AK State Community Services Com	107.6	2,058.9	0.5	2,167.0	110.6	3,069.7	104.5	3,284.8	0.0	0.0	0.0	0.0
Totals	58,671.9	43,029.3	89,564.9	191,266.1	38,161.9	54,921.9	102,559.7	195,643.5	19,627.0	64,377.2	103,613.9	187,618.1

Funding Source Summary

All dollars in thousands

Funding Sources	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
1002 Federal Receipts	43,029.3	54,921.9	64,377.2
1003 General Fund Match	581.5	799.2	810.7
1004 General Fund Receipts	58,020.6	32,813.3	14,265.9
1005 General Fund/Program Receipts	4.0	18.7	18.7
1007 Inter-Agency Receipts	11,280.7	13,080.5	13,685.8
1036 Commercial Fishing Loan Fund	3,545.4	3,704.2	3,784.5
1040 Real Estate Surety Fund	131.3	278.1	280.0
1044 Debt Retirement	10.3		
1061 Capital Improvement Project Receipts	3,101.5	4,330.9	4,461.6
1062 Power Project Loan Fund	994.1	1,056.5	1,056.5
1070 Fisheries Enhancement Revolving Loan Fund	467.6	557.6	564.1
1074 Bulk Fuel Revolving Loan Fund		53.7	53.7
1089 Power Cost Equalization Fund	28,560.0	28,160.0	32,160.0
1101 Alaska Aerospace Development Corporation Receipts	24.0	452.4	521.4
1102 Alaska Industrial Development & Export Authority Receipts	4,357.6	5,134.0	5,443.6
1107 Alaska Energy Authority Corporate Receipts	206.4	1,067.1	1,067.1
1108 Statutory Designated Program Receipts	66.6	1,474.6	474.8
1141 RCA Receipts	6,101.8	8,371.3	8,074.3
1156 Receipt Supported Services	24,673.7	28,001.0	27,100.6
1164 Rural Development Initiative Fund	28.0	51.8	52.5
1170 Small Business Economic Development Revolving Loan Fund	20.0	50.0	50.7
1175 Business License and Corporation Filing Fees and Taxes	5,805.1	6,262.4	4,306.6
1195 Special Vehicle Registration Receipts	135.8	135.8	135.8
1200 Vehicle Rental Tax Receipts	65.8	4,530.7	4,531.7
1202 Anatomical Gift Awareness Fund	55.0		
1208 Bulk Fuel Bridge Loan Fund		218.0	218.0
1209 Alaska Capstone Avionics Revolving Loan Fund		119.8	122.3
Totals	191,266.1	195,643.5	187,618.1

Position Summary

Funding Sources	FY2009 Management Plan	FY2010 Governor
Permanent Full Time	523	525
Permanent Part Time	2	2
Non Permanent	16	12
Totals	541	539

FY2010 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Organization Grant	100,000	0	0	100,000
Alaska Energy Authority Energy Projects	0	20,000,000	11,000,000	31,000,000
Alaska Energy Authority - Denali Commission Match for Rural Power System Upgrades	0	0	10,000,000	10,000,000
Community Block Grants	70,000	6,030,000	0	6,100,000
Grants Tracking System	255,000	0	0	255,000
Kodiak Launch Complex Infrastructure	3,500,000	14,000,000	0	17,500,000
Manufacturing Extension Program	806,401	0	0	806,401
Community Development and Assistance	430,000	600,000	1,600,000	2,630,000
Licensing myAlaska Integration	0	0	310,000	310,000
Denali Commission Match for Rural Transportation	0	0	5,000,000	5,000,000
Shishmaref Beach Erosion	3,000,000	0	0	3,000,000
Kenai - River Bluff Erosion Project	5,000,000	0	0	5,000,000
Municipality of Anchorage - Expansion of the Port of Anchorage	0	0	10,000,000	10,000,000
Alaska Marine Exchange - Vessel Tracking System Operating Costs	0	0	650,000	650,000
Arctic Power	120,000	0	0	120,000
Arctic Winter Games Team Alaska - Games Participation	250,000	0	0	250,000
NPR-A Impact Grant Program	0	22,500,000	0	22,500,000
Electrical Emergencies Program	250,000	0	0	250,000
Climate Change Impact Mitigation Program - Additional Funding	300,000	0	0	300,000
Cruise Ship-Related Grant Projects	0	0	22,540,000	22,540,000
Department Total	14,081,401	63,130,000	61,100,000	138,311,401

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Summary of Department Budget Changes by RDU

From FY2009 Management Plan to FY2010 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	38,161.9	54,921.9	102,559.7	195,643.5
Adjustments which will continue current level of service:				
-Executive Admin and Dev	23.5	0.0	61.2	84.7
-Comm Assist & Ec Dev	1,928.4	0.2	-1,956.6	-28.0
-Investments	0.0	0.0	77.2	77.2
-Alaska Aerospace Devel Corp	0.0	-21.5	-11.1	-32.6
-AIDEA	0.0	0.0	107.8	107.8
-Alaska Energy Authority	-22,962.4	0.0	0.0	-22,962.4
-Alaska Seafood Marketing Inst	1,913.3	-500.0	-1,378.0	35.3
-Banking and Securities	0.0	0.0	-141.0	-141.0
-CDQ Program	0.0	0.0	0.1	0.1
-Insurance	0.0	0.0	100.1	100.1
-Corp, Bus & Prof Licenses	0.0	0.0	129.2	129.2
-Reg Comm of Ak	0.0	0.0	113.9	113.9
-Serve Alaska	112.1	3,072.9	104.7	3,289.7
-AK State Community Services Com	-110.6	-3,069.7	-104.5	-3,284.8
Proposed budget decreases:				
-Comm Assist & Ec Dev	0.0	0.0	-340.6	-340.6
-Alaska Seafood Marketing Inst	0.0	0.0	-1,000.0	-1,000.0
-Reg Comm of Ak	0.0	0.0	-410.9	-410.9
Proposed budget increases:				
-Executive Admin and Dev	2.3	0.0	176.9	179.2
-Comm Assist & Ec Dev	194.0	0.0	98.3	292.3
-Revenue Sharing	0.0	9,973.4	0.0	9,973.4
-Investments	0.0	0.0	13.6	13.6
-Alaska Aerospace Devel Corp	0.0	0.0	69.0	69.0
-AIDEA	0.0	0.0	515.2	515.2
-Alaska Energy Authority	360.3	0.0	4,000.0	4,360.3
-Alaska Seafood Marketing Inst	4.2	0.0	0.0	4.2
-Banking and Securities	0.0	0.0	388.0	388.0
-Insurance	0.0	0.0	122.8	122.8
-Corp, Bus & Prof Licenses	0.0	0.0	26.4	26.4
-DCED State Facilities Rent	0.0	0.0	292.5	292.5
FY2010 Governor	19,627.0	64,377.2	103,613.9	187,618.1